

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 PM-03 SP-02
L-01 INR-05 CIAE-00 TRSE-00 EB-04 SIL-01 /044 W
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P R 061820Z APR 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 0864
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 2775

LIMDIS

E.O. 11652: XGDS-4
TAGS: PINT, PO
SUBJ: CURRENT SITUATION: SOARES' ASSESSMENT

REF: (A) LISBON 2597 (DTG 311513Z MAR 77) (B) LISBON 2692
(DTG 041704Z APR 77)

SUMMARY: IN AN APRIL 6 MEETING WITH THE AMBASSADOR,
SOARES GAVE A BRIEF RUNDOWN OF THE CURRENT SITUATION. SOARES
FEELS ECONOMY IS TURNING THE CORNER AND APPOINTMENT
OF NEW LABOR MINISTER IS A MAJOR STEP FORWARD. REGARDING
THE PARTIES, SOARES SAYS GALVAO DE MELO AFFAIR HAD BEEN
MORE HARMFUL TO CDS THAN PEOPLE THOUGHT; LOPES CARDOSO
WOULD EVENTUALLY PROMOTE A SPLIT IN THE PS; AND PCP, THEIR
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RESISTANCE IN THE ALENTEJO RURAL STRONGHOLD BROKEN,
WOULD START A LABOR OFFENSIVE AFTER APRIL 25. MOST
SERIOUS RECENT PROBLEM HAD BEEN DESIGNATION OF DOS SANTOS AS
VICE CHIEF OF ARMED FORCES. APPOINTMENT HAD PROVOKED
DEEP-SEATED REACTION IN MILITARY. EANES, HOWEVER, HAD
ASSURED SOARES THAT ANTUNES AND DOS SANTOS WERE COM-
PETITORS RATHER THAN COLLABORATORS. END SUMMARY.

1. AT INFORMAL LUNCHEON MEETING APRIL 6 MARIO SOARES REVIEWED WITH AMBASSADOR BRIEFLY THE CURRENT SITUATION AS HE SEES IT. ON BALANCE, WHILE THERE WERE MANY PROBLEMS REMAINING TO BE SOLVED, HE THOUGHT THINGS WERE MOVING IN A POSITIVE DIRECTION.

2. ECONOMIC SITUATION: SOARES FELT HE WAS FINALLY BEGINNING TO TURN THE CORNER ON THE ECONOMY. THE APPOINTMENT OF MALDONADO GONELHA AS LABOR MINISTER IS A DECISIVE STEP FORWARD. HE EXPECTED MALDONADO TO BE AS FORCEFUL IN LABOR AS SOTTOMAYOR CARDIA AND ANTONIO BARRETO HAD BEEN IN THEIR RESPECTIVE SPHERES. HE NOTED THAT THE COMMUNISTS MOUTHPIECE "O DIARIO" HAD NOT LOST ANY TIME IN ATTACKING MALDONADO (REF A). SOARES SAID RECENT PCP EFFORT TO FOMENT A MASSIVE AND DISRUPTIVE WAVE OF STRIKES HAD FIZZLED, DEMONSTRATING THAT THE COMMUNISTS DID NOT ENJOY THE GRASS ROOTS LABOR SUPPORT THEY CLAIMED. WHILE HE DID NOT EXPECT MIRACLES, HE DID FEEL MORE CONFIDENT OF THE SOCIALIST ABILITY TO COPE WITH CGTP NOW THAT MALDONADO WAS IN CHARGE. HE WAS SURE, AT A MINIMUM, THAT MALDONADO WOULD BE HELPFUL IN RESTORING PRODUCTIVITY IN THE PRIVATE SECTOR.

3. ALENTEJO: SOARES WAS CLEARLY PLEASED WITH THE RESULTS OF AGRICULTURE MINISTER BARRETO'S AGRICULTURE POLICY. THE SUPPORT OF THE PRESIDENT AND THE MILITARY HAD BEEN INVALUABLE. ALTHOUGH THE PCP CONTINUED TO CAUSE PROBLEMS, HE FELT THE BACK OF COMMUNIST RESISTANCE IN THEIR ALENTEJO RURAL STRONGHOLD HAD BEEN BROKEN. NOTING
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CUNHAL'S STRIDENCY IN HIS LATEST PRESS CONFERENCE (SEPTTEL), SOARES ATTRIBUTED THIS TO THE FACT THAT THE SOCIALISTS WERE "TAKING THEIR HOMELAND AWAY FROM THEM."

4. PARTY RELATIONSHIPS: SOARES CONTINUED TO BASK IN HIS IMPROVED RELATIONSHIPS WITH THE PSD, AND HIS ONGOING SUPPORT FROM THE CDS. HE NOTED, HOWEVER, THAT THE GALVAO DE MELO EXPULSION FROM THE CDS PARLIAMENTARY GROUP HAD CAUSED MORE PROBLEMS THAN MOST PEOPLE THOUGHT. GALVAO DE MELO HAD LITTLE DEPTH TO HIM, BUT HE DID HAVE SOME POPULAR FOLLOWING. SOARES ANTICIPATED THAT SOONER OR LATER LOPES CARDOSO AND HIS SUPPORTERS WOULD PROMOTE A SPLIT IN THE SOCIALIST PARTY. HE HAD NO DOUBT THAT LOPES CARDOSO WAS PLAYING THE GAME OF THE ENEMY, THE PCP. RIGHT NOW HE WAS ALLOWING LOPES CARDOSO ENOUGH ROPE TO HANG HIMSELF.

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5. THE MILITARY SITUATION: THE MOST SERIOUS
PROBLEMS IN THE PAST TWO WEEKS HAD BEEN INSIDE THE MILI-
TARY ESTABLISHMENT. THE LOUREIRO DOS SANTOS NOMINATION
AS VICE CHIEF OF STAFF OF THE ARMED FORCES HAD PROVOKED
A DEEP-SEATED REACTION (REF B). MINISTER OF THE
REPUBLIC IN THE AZORES GALVAO DE FIGUEIREDO HAD ASKED
TO RETIRE AS A SYMBOL OF PROTEST. EANES' FIRST
REACTION HAD BEEN TO LET HIM GO AHEAD, BUT SOARES HAD
MEDIATED BETWEEN THE TWO AND A "SOLUTION WAS IN THE
WORKS." LOUREIRO DOS SANTOS HAD THE REPUTATION OF BEING
A LEFTIST, BUT EANES REASSURED SOARES ON THIS POINT. IN
PARTICULAR, EANES HAD EXPLAINED THAT MELO ANTUNES AND
LOUREIRO DOS SANTOS WERE COMPETITORS RATHER THAN
COLLABORATORS. PARTLY AS A RESULT OF THE LOUREIRO DOS
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SANTOS AFFAIR, PARTLY AS A RESULT OF THE RECENT MEETING

OF COMMANDOS, SOARES FELT THE PRESIDENT WAS COMING UNDER INCREASING PRESSURE FROM BOTH THE LEFT AND THE RIGHT WITHIN THE MILITARY. NEVERTHELESS, HE WAS CONFIDENT THE PRESIDENT WOULD CONTINUE TO CONTROL THE SITUATION.

6. STORMY MAY: SOARES THOUGHT THE PCP WOULD LAY LOW UNTIL APRIL 25. HE THEN EXPECTED ANOTHER OFFENSIVE AGAINST THE GOVERNMENT IN THE LABOR AREA. SOONER OR LATER HE FELT A SHOWDOWN WITH THE PCP WAS INEVITABLE, AND HE WAS FULLY PREPARED FOR IT.
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